



# Port of Walla Walla

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## *Washington State Transportation Commission*

### *“Railex Project” Streamlining Produce Distribution*

*January 18, 2006*

**[www.portwallawalla.com](http://www.portwallawalla.com)**

# Railex Project Walla Walla County, Washington



## The Idea of RAILEX

**Railex was created to fulfill a need in the produce industry and solves an ever-increasing nationwide transportation problem.**

- Long-haul trucks are currently used to distribute fresh produce because they can deliver product in a time frame that the produce industry demands; however, they are plagued by two problems:
  - Increased cost – due to escalating fuel and insurance prices and government regulation.
  - Lack of availability – due to increased costs and driver shortages.
- Conventional rail is less expensive than truck transport; however, traditional rail operation methods make rail unsuitable for shipping certain produce:
  - Rail is generally too slow, too unpredictable and too risky.
  - Multiple shipping locations and receiving locations create delays and variability in transit times.
  - Refrigerated boxcar shortages deter growers from using rail.

# Railex Project Walla Walla County, Washington



## The Creation of RAILEX

**Railex identified the nation's distribution areas that were affected most by these transportation problems.**

### WASHINGTON STATE

- Produces high volumes of fresh produce: potatoes, onions, apples, pears, cherries, asparagus, broccoli and carrots.
- Railroads hesitant to commit car supply for fresh produce because of long car turns and the high risk of spoilage claims.
- The highest truck rates to the east coast force shippers to reduce FOB costs to a very low level in order to become competitive with imported produce and produce from other lesser quality growing areas.

### NORTHEAST

- Largest consumption base in the country; the 13 northeast states contain over 50% of the population of the United States.
- Significant retail and foodservice distribution network.

# Railex Project Walla Walla County, Washington

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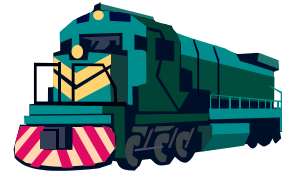


## The Creation of RAILEX

**Next, Railex negotiated a three-party service agreement between Union Pacific Railroad, CSX Transportation and ADS Management  
This agreement:**

- Guarantees a minimum of 55 railcars each week from Washington into the Northeast.
- Guarantees a transit time of less than 6 days.
- Guarantees a refrigerated railcar supply.
- Guarantees locomotive power, weekly service schedule and rail crews.

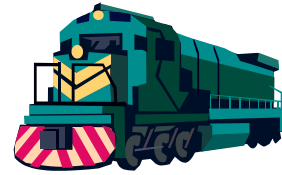
# Railex Project Walla Walla County, Washington



## ADS MANAGEMENT, LLC ANDY POLLAK – President and CEO

- **Established as a family business 50 years ago.**
  - Started as Long Island, New York potato farmers
- **Over 5 years ago, Andy Pollak recognized changes occurring in the produce industry and reacted to these changes by:**
  - Creating Andrew and Sons, a company comprised of many entities involved in various facets of the produce industry.
  - Developed 6 state-of-the-art distribution and packing facilities spanning from Maine to Florida – making Andrew and Sons a leading provider of fresh produce, especially potatoes, citrus fruits and onions to the largest grocery retailers on the east coast.
  - Establishing Andrew and Sons as the leader in reducing inbound freight cost by utilizing and managing conventional rail services in four of his distribution centers.
- **The ADS Management, LLC (ADS) companies are continually focused on customer needs and consistently maintain peak customer service levels.**

# Railex Project Walla Walla County, Washington



ADS MANAGEMENT, LLC



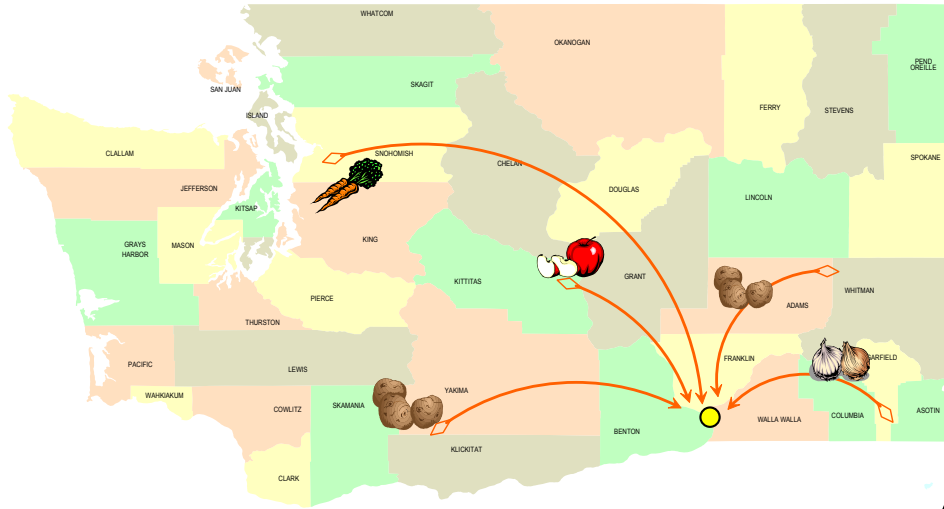
CURRENT EAST COAST DISTRIBUTION LOCATIONS

# Railex Project Walla Walla County, Washington



- **With a consolidated loading facility on the west coast and one destination facility on the east coast a full train load of 55 new high efficiency, 64 foot long refrigerated box rail cars can now be transported coast to coast in less than 6 days.**
- **This is equivalent to approximately 165 long haul truck loads of fresh produce coming coast to coast at a less expensive rate while freeing up the nation's highways.**

# Railex Project Walla Walla County, Washington





# Railex Project Walla Walla County, Washington



# Railex Project Walla Walla County, Washington



## Mid-Columbia

**Inside**  
New Supreme Court justices  
could be allies to businesses.  
**Business, B4**

• Science & Technology **B3**

## Company preparing to build Railex site

*New rail loop, warehouse  
in Wallula to start weekly  
produce shipments to N.Y.*

**By Jeff St. John**  
Herald staff writer

**WALLULA** — A multimillion-dollar construction project that will provide Washington growers their first direct railroad service to the East Coast is on a fast track to development in Wallula.

Railex LLC, a New York-based shipping company, announced in August that it plans to build a rail loop and warehouse in Wallula to start weekly shipments of fresh produce to

Albany, N.Y., as early as this spring.

Working with the Port of Walla Walla, the company is now ready to start building a \$15 million, 200,000-square-foot warehouse on a 183-acre site near Highway 12 as early as mid-January, said Jim Kuntz, port executive director.

"Railex is still committed to having service by late spring or early summer," Kuntz said. "We're going to start with one train a week that will haul 8 million pounds of produce per week."

That's likely to be a boon to growers looking for more certainty in their shipping options to the East Coast, he said — and growers already are calling to express interest.

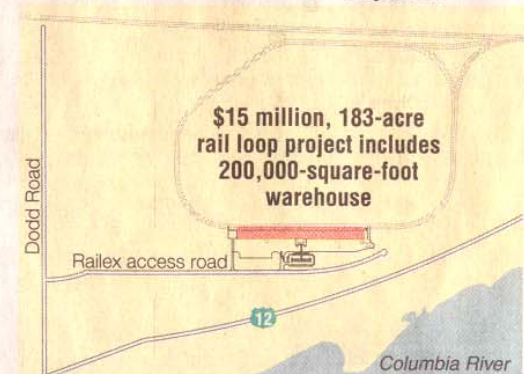
"We're anticipating when this starts, we'll have about 165 produce trucks a week" unloading fresh fruit and vegetables onto the weekly Union Pacific train headed to Albany, Kuntz said.

The port also expects to spend about \$2 million to buy land and build a road and water system for the project, he said. Along with \$1.5 million in federal money to build a rail loop to allow trains to load produce quickly, as well as an additional \$1.7 million in state grants and loans, that brings current public investment to about \$5.2 million — which still is about \$2.2 million short of the



**Railex LLC  
provides  
fast track to  
East Coast  
for farmers**

Map detail



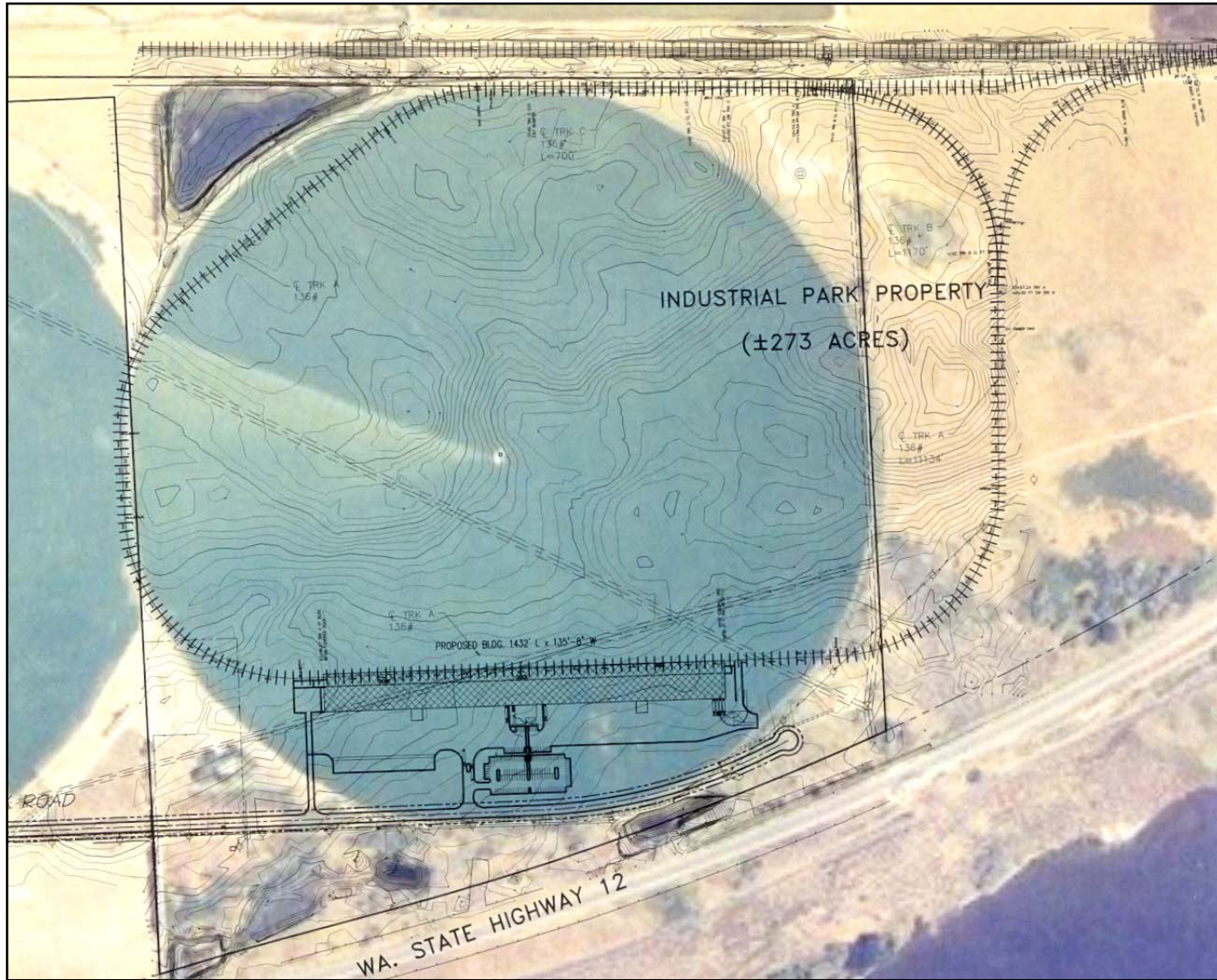
SOURCE: Port of Walla Walla

Herald/Sherry Emery

See **Railex**, Page B2



# Railex Project Walla Walla County, Washington





### Funding Partners & Role

#### Railex, LLC

Distribution Warehouse (200,000 sq. ft.)	\$15,000,000
Rail Line Construction	\$ 4,100,000
Land Purchase	<u>\$ 352,425</u>
	\$19,452,425

#### Union Pacific Railroad

Car Supply 110 new, 64 ft. refrigerated boxcars.

Resource Commitment: 4 locomotives, crew & transit time.

Service Schedule: 52 weeks per year with a minimum of 1 train per week.

#### Port of Walla Walla (Site Infrastructure Cost)

\$7,466,410

Access Road  
Public Water System  
Loop Rail Line  
Land Acquisition  
Utility Upgrades

# Railex Project Walla Walla County, Washington



## RAILEX PROJECT INFRASTRUCTURE COST PARTICIPATION

<b>59% State of Washington</b>		<b>\$4,400,000</b>
CERB Grant	\$ 200,000	
Community Block Grant	\$ 700,000	
Other State Funding (Note 1)	\$3,500,000	
<b>16% Port of Walla Walla (Note 2)</b>		<b>\$1,166,410</b>
Capital Fund	\$ 366,410	
CERB Loan Repayment	\$ 800,000	
<b>20% Federal Government</b>		<b>\$1,500,000</b>
Transportation Appropriation	\$1,500,000	
<b>5% Walla Walla County (Note 3)</b>		<b>\$ 400,000</b>
.08% Sales Tax Account	\$ 400,000	
<b>TOTAL</b>		<b>\$7,466,410</b>

### Notes

1. Job Development Fund and/or WSDOT Funding
2. Port contribution does not include balance of Winn property cost of \$459,600
3. Funding yet to be confirmed



## Railex Shipping Volumes

### Shipping Volumes – Based on One (1) unit train

**55 Railcars = 165 Trucks**

**= 8,000,000 million pounds of product per week**

**= 416,000,000 million pounds of product per year**

# Railex Project

## Walla Walla County, Washington



### Fuel Savings from Washington State to New York (one-way)

Cost Savings from Washington to New York (one-way)			
Unit Trains	Weekly Gallons of Diesel Fuel Savings	Annual Gallons of Diesel Fuel Savings	Present Value Savings
1	84,000	4,368,000	\$ 10,701,600
2	168,000	8,736,000	\$ 21,403,200
3	252,000	13,104,000	\$ 32,104,800
4	336,000	17,472,000	\$ 42,806,400

National average per gallon for diesel on 01-16-06 was \$2.45 per gallon

# **Railex Project Walla Walla County, Washington**

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## **Railex and Washington State**

- **Fueling the Washington Economy**
  - **The normal long-haul truck network would become a short-haul network of trucks delivering produce to the Railex Unit Train which would be paying local taxes, employing local drivers, consuming local goods and purchasing fuel locally.**
  - **Railex will create 100 new full-time positions**



Year 1				Year 2			
	Projected New Jobs	Annual Wage per job	Total Annual Wage per job	Projected New Jobs	Annual Wage per job	Total Annual Wage per job	
<b>Management/Administration</b>							
General Manager	1	\$ 200,000	\$ 200,000	1	\$ 200,000	\$ 200,000	
Assistant Manager	1	\$ 100,000	\$ 100,000	1	\$ 100,000	\$ 100,000	
	2		\$ 300,000	2		\$ 300,000	
<b>Technical/Professional</b>							
Receiving Manager	1	\$ 75,000	\$ 75,000	2	\$ 75,000	\$ 150,000	
Shipping Manager	1	\$ 75,000	\$ 75,000	2	\$ 75,000	\$ 150,000	
Logistic Manager	1	\$ 75,000	\$ 75,000	2	\$ 75,000	\$ 150,000	
Inventory Control	2	\$ 60,000	\$ 120,000	4	\$ 60,000	\$ 240,000	
IT	2	\$ 50,000	\$ 100,000	4	\$ 50,000	\$ 200,000	
Inspectors/Quality Control	6	\$ 75,000	\$ 450,000	8	\$ 75,000	\$ 600,000	
	13		\$ 895,000	22		\$ 1,490,000	
<b>Office/Clerical</b>							
General Clerical	10	\$ 25,000	\$ 250,000	20	\$ 25,000	\$ 500,000	
Supervisor Clerical	1	\$ 35,000	\$ 35,000	2	\$ 35,000	\$ 70,000	
	11		\$ 285,000	22		\$ 570,000	
<b>Sales</b>							
Sales Manager	1	\$ 75,000	\$ 75,000	1	\$ 75,000	\$ 75,000	
Booking agents	4	\$ 50,000	\$ 200,000	6	\$ 50,000	\$ 300,000	
	5		\$ 275,000	7		\$ 375,000	
<b>Skilled Crafts</b>							
Mechanic	2	\$ 50,000	\$ 100,000	3	\$ 50,000	\$ 150,000	
Fork lift drivers	4	\$ 40,000	\$ 160,000	8	\$ 40,000	\$ 320,000	
Engineer	1	\$ 60,000	\$ 60,000	2	\$ 60,000	\$ 120,000	
	7		\$ 320,000	13		\$ 590,000	
<b>Others</b>							
Warehouse Receiving Supervisor	1	\$ 35,000	\$ 35,000	2	\$ 35,000	\$ 70,000	
Warehouse Receiving	30	\$ 19,000	\$ 570,000	60	\$ 19,000	\$ 1,140,000	
Warehouse Shipping Supervisor	1	\$ 35,000	\$ 35,000	2	\$ 35,000	\$ 70,000	
Warehouse Shipping	30	\$ 19,000	\$ 570,000	60	\$ 19,000	\$ 1,140,000	
Warehouse Maintenance	3	\$ 19,000	\$ 57,000	6	\$ 19,000	\$ 114,000	
	65		\$ 1,267,000	130		\$ 2,534,000	
<b>Grand Total</b>	<b>103</b>		<b>\$ 3,342,000</b>	<b>196</b>		<b>\$ 5,859,000</b>	

Year 1 will be 1-2 unit trains per week

Year 2 will be 3-5 unit trains per week

# Railex Project Walla Walla County, Washington



**Railex has developed a long-awaited system for efficiently shipping produce from the west coast to the east coast. The system is efficient and cost effective, and successfully addresses the problems faced by conventional rail transportation and the trucking industry. When implemented, the system will revolutionize the produce industry and have a considerable impact on the economy of the states of Washington and New York.**



**For more information on Railex  
you can visit their website at**

**[www.railexusa.com](http://www.railexusa.com)**